

# TORC Oil & Gas Ltd. and Vero Energy Inc. Announce Combination to Create A New Light Oil Resource Company; \$100 Million Bought Deal TORC Financing

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CALGARY, ALBERTA -- (Marketwire - Sept. 13, 2012) - Vero Energy Inc. ("Vero") (TSX:VRO) and [TORC Oil & Gas Ltd.](#) ("TORC") are pleased to announce that they have entered into an agreement (the "Arrangement Agreement") that provides for the combination of Vero and TORC (the "Transaction") to create a new light oil focused company. TORC, currently a private oil and gas company with focused operations in the Cardium light oil resource trend and in the southern Alberta Bakken petroleum system will be combined with Vero's focused Cardium light oil assets. Concurrent with the Transaction, TORC has entered into a \$100 million "bought deal" private placement financing ("TORC Financing") with a syndicate of underwriters as described below. The combined entity will be financially strong and well positioned with a large inventory of lower risk, high netback Cardium light oil development assets, complemented by significant exposure to TORC's emerging Monarch light oil resource play in the southern Alberta Bakken petroleum system. The combination will be effected by way of a plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta). The Arrangement steps will result in the combination of Vero and TORC under the new name TORC Oil & Gas Ltd. ("New TORC") under the TSX trading symbol "TOG". The Transaction is intended to be structured as a tax deferred rollover for shareholders of both entities.

New TORC will be led by the existing management team and board of directors of TORC. The TORC management team is led by Brett Herman as President & Chief Executive Officer, Jason Zabinsky as VP Finance and Chief Financial Officer, Eric Strachan as VP Exploration, Jeremy Wallis as VP Land, Mike Wihak as VP Operations and Filippo Angelini as VP and Controller.

Upon completion of the Arrangement, the New TORC board of directors will be comprised of John Brussa, Raymond Chan (Chairman), Bruce Chernoff, Brett Herman, Dave Johnson, Dale Shwed, and Hank Swartout. James Pasieka will act as corporate secretary.

## Transaction Summary:

Under the terms of the Arrangement Agreement, TORC shareholders will receive consideration of 0.87 common shares of New TORC for each common share of TORC held and each Vero shareholder will continue to hold one common share of New TORC for each common share of Vero held. Based on the TORC Financing price as described below, the implied price per Vero share is \$3.00 representing a 48% premium to Vero's 10-day weighted average trading price.

"This transaction is a natural progression in the evolution of TORC. Over the past year and a half we have built a substantial light oil resource portfolio ranging from our development focused Cardium assets, to our emerging Monarch play in the southern Alberta Bakken petroleum system, augmented by substantial light oil focused exploration acreage throughout Alberta. Vero's focused light oil Cardium asset base significantly complements our existing Cardium portfolio, provides a solid base of lower risk development opportunities, and accelerates our Cardium production growth phase. We look forward to substantially growing the combined entity through our proven strategy of acquiring, exploiting and exploring," stated Brett Herman, President and Chief Executive Officer of TORC.

Doug Bartole, President and Chief Executive Officer of Vero, added, "TORC has put together an exciting and significant resource base of development and high impact light oil opportunities. We are proud of the high quality assets that our team of employees has put together and is contributing to the Transaction. The combined entity represents an exciting opportunity for Vero shareholders to maintain ownership in a large, financially strong, light oil focused entity with a substantial platform for growth."

The Transaction is subject to the approval of the Alberta Court of Queen's bench under the Business

Corporations Act (Alberta), the receipt of all necessary regulatory and stock exchange approvals, the requisite approvals of the shareholders of each of Vero and TORC, completion of the TORC Financing and satisfaction of certain other closing conditions that are customary for a transaction of this nature. It is anticipated that separate Vero and TORC shareholder meetings will be held in November following the mailing of a joint information circular regarding the Transaction in October to shareholders of both companies. Closing of the Transaction is expected to occur in mid to late November.

**Transaction Metrics:**

TORC is acquiring high quality, high netback light oil assets located in the Cardium light oil trend west of Pembina. In addition to the producing assets acquired, Vero has a significant unbooked Cardium light oil development inventory. Vero's characteristics are as follows:

Total Transaction Price (including net debt)(1)  
- \$177 million

Production (2)  
- 2,200 BOE/d (65% oil and liquids)

Proved reserves (3)  
- 4.5 MMBOE (66% oil and liquids)

Proved plus probable reserves (3)  
- 9.0 MMBOE (63% oil and liquids)

Operating netback (4)  
- \$43.00

The Transaction metrics using the \$3.00 implied price per Vero common share are as follows:

Production (2)  
- \$80,000/BOE

Proved reserves (3)  
- \$39.00/BOE

Proved plus probable reserves (3)  
- \$19.60/BOE

Recycle Ratio (3) (4)  
- 2.2x

**Notes:**

(1) Assuming deemed price per Vero share of \$3.00; net debt of \$30MM prior to transaction costs and exercise of all of the in-the-money Vero stock options.

(2) July 2012 average.

(3) Company gross reserves being the Vero's working interest share before deduction of royalties and without including any royalty interests of Vero. Based on the independent reserve report dated March 5, 2012 and effective December 31, 2011 prepared by Sproule Associates Limited in accordance with NI 51-101 and the COGE Handbook.

(4) Calculated by subtracting royalties and operating costs from revenues and assumes a commodity price of \$90.00 for Edmonton Light.

**Strategic Rationale of the Combination:**

The Transaction allows shareholders of both Vero and TORC to participate in a stronger, larger entity with a substantial inventory of focused, light oil development assets in the Cardium along with significant exposure to an emerging light oil resource play at Monarch in the southern Alberta Bakken petroleum system. Management of both Vero and TORC believe that the Transaction will provide significant benefits to both

sets of shareholders and will have the following key characteristics:

- Increased market capitalization provides enhanced liquidity;
- A strong balance sheet with over \$20 million of cash at year-end plus an undrawn bank facility;
- A large, light oil focused Cardium development inventory of over 300 net unbooked locations;
- Increased efficiencies in the Cardium portfolio due to the meaningful synergies of the Vero and TORC Cardium asset bases;
- Exposure to a significant platform in emerging light oil resource plays (more than 350 net sections including more than 150 net sections at Monarch) that has yielded very exciting results to date;
- An experienced management team with a proven track record of sourcing, executing and integrating acquisitions on a value accretive basis;
- An experienced technical team which has drilled over 300 horizontal, multi stage frac wells into light oil targets; and
- The Transaction is intended to be structured as a tax deferred rollover for shareholders of both entities.

**Key Attributes of Pro Forma New TORC:**

High Netback Production:

2012E Exit: >3,900 BOE/d (75% light oil & NGLs)

Reserves (1)

5.1 MMBOE (68% light oil & NGLs) Total Proved

10.0 MMBOE (65% light oil & NGLs) Total Proved plus Probable

Cardium Light Oil Development Inventory

>75 net unbooked sections

>300 net unbooked locations

Emerging Light Oil Resource Exposure

>350 net total sections

>150 net sections at Monarch

Cash Position (2)

>\$20 million at year end; undrawn bank line

Pro Forma Shares Outstanding (2)

187 million (basic)

213 million (fully-diluted)

Tax Pools (3)

>\$400 million

**Notes:**

(1) *Company gross reserves being New TORC's working interest share before deduction of royalties and without including any royalty interests of New TORC. Based on the respective independent reserve reports of Vero and TORC, each prepared by Sproule Associates Limited and each effective as of December 31, 2011 and prepared in accordance with NI 51-101 and the COGE Handbook.*

(2) *Assuming completion of the TORC Financing.*

(3) *As at June 30, 2012.*

**Guidance:**

As a result of the strategic combination of Vero and TORC, which is anticipated to close in November 2012, New TORC anticipates exiting 2012 at a production rate of more than 3,900 BOE/d (75% oil and liquids) with

more than \$20 million of net positive working capital.

New TORC intends to set its 2013 capital expenditure budget following the closing of the Transaction. Further, it is anticipated that New TORC's 2013 drilling program will primarily consist of a high graded Cardium development program focused on production growth combined with the continued delineation of the Monarch asset in order to move this emerging resource play towards the production growth phase.

#### **TORC Financing:**

In connection with the Transaction, TORC has entered into an agreement, on a "bought deal" private placement basis, with a syndicate of underwriters led by Macquarie Capital Markets Canada Ltd. ("Macquarie Capital"), and including FirstEnergy Capital Corp., TD Securities Inc., Dundee Securities Ltd., GMP Securities L.P., BMO Capital Markets, CIBC, National Bank Financial Inc., Peters & Co. Limited, RBC Capital Markets, Canaccord Genuity Corp., Cormark Securities Inc. and Raymond James Ltd. for an offering of 28,850,000 subscription receipts ("Subscription Receipts") at \$2.60 per Subscription Receipt to raise gross proceeds of \$75,010,000 and 8,065,000 subscription receipts ("Flow-Through Subscription Receipts") at \$3.10 per Flow-through Subscription Receipt to raise gross proceeds of \$25,001,500 (the "TORC Financing"). The Subscription Receipts and Flow-Through Subscription Receipts (collectively the "Offered Securities") together, will raise gross proceeds of \$100,011,500. TORC will grant the underwriters an option to purchase from treasury an additional 4,327,500 Subscription Receipts, on the same terms, exercisable in whole or in part at any time up to 48 hours prior to the Arrangement closing. Closing of the TORC Financing is expected to occur on or about October 4, 2012 and is subject to customary conditions and regulatory approvals. The net proceeds from the Subscription Receipts will be used to fund ongoing capital expenditures and for general corporate purposes and the proceeds from the Flow-Through Subscription Receipts financing will be used to incur Canadian Exploration Expense for purposes of the Income Tax Act (Canada) (the "Tax Act").

The gross proceeds from the TORC Financing will be held in escrow pending the receipt by escrow agent and Macquarie Capital of a joint notice of TORC and Vero that all conditions precedent to the completion of the Transaction have been satisfied or waived. If the Transaction is completed on or before December 21, 2012, the proceeds will be released to New TORC and each Subscription Receipt and Flow-Through Subscription Receipt will be exchanged for one common share of TORC for no additional consideration as a step to the Arrangement. If the Transaction is not completed on or before December 21, 2012 or the Arrangement Agreement is terminated at an earlier time, holders of Offered Securities will receive a cash payment equal to the offering price of the Offered Securities and any interest that was earned thereon during the time of escrow.

#### **Board Recommendations:**

The board of directors of each of Vero and TORC has unanimously approved the Transaction and has concluded that the Transaction is in the best interests of Vero and TORC shareholders, respectively, and each has resolved to recommend that shareholders of Vero and TORC, respectively, vote their shares in favour of the Transaction. The management and boards of Vero and TORC have agreed to vote their shares in favour of the proposed Transaction.

Under the terms of the Arrangement Agreement, Vero has agreed that it will not solicit or initiate any inquiries or discussions regarding any other business combination or sale of assets, subject to the fiduciary duty of the Vero board of directors in the event that an unsolicited superior proposal is received by Vero. Vero has granted TORC a 72 hour right to match any superior proposal. Both Vero and TORC have agreed to pay a non-completion fee of \$6.5 million to the other in certain circumstances as set forth in the Arrangement Agreement.

#### **Financial Advisors:**

FirstEnergy Capital Corp. and GMP Securities L.P. are acting as financial advisors to Vero with respect to the Transaction. FirstEnergy Capital Corp. has provided the board of directors of Vero with its opinion that, subject to its review of the final form of documents effecting the Transaction, the consideration payable pursuant to the Arrangement is fair, from a financial point of view, to Vero shareholders. CIBC and Raymond James Ltd. are acting as strategic advisors to Vero.

Macquarie Capital and TD Securities Inc. are acting as financial advisors to TORC with respect to the Transaction. Macquarie Capital has provided the board of directors of TORC with its opinion, effective the date hereof, that, subject to the assumptions and limitations contained therein, the consideration payable to

TORC shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TORC shareholders. Dundee Securities Ltd. and RBC Capital Markets are acting as strategic advisors to TORC.

### **About TORC Oil & Gas:**

**TORC** (Tight Oil Resource Company) was founded in December, 2010 and has employed a consistent strategy since inception to position the company for material growth by focusing on light oil opportunities. The TORC strategy has been to underpin future production growth with exposure to development focused Cardium light oil assets, while positioning the company for significant value upside with early identification and land capture in emerging light oil resources plays. Since inception, TORC has accumulated more than 60 net sections of development focused Cardium light oil prone acreage and more than 350 net sections of acreage focused on emerging light oil resource plays including more than 150 net sections in the company's primary Monarch prospect in the southern Alberta Bakken petroleum system. To fund this successful land capture strategy and initial delineation strategy, which has included the drilling of 14 (8.2 net) Cardium wells with a 93% success rate and 10 (10.0 net) wells at southern Alberta Bakken wells at Monarch with an 80% success rate (to the end of Q2, 2012), TORC has raised approximately \$318 million of equity capital to date (not including the current TORC Financing).

### **TORC Management Team:**

The TORC management team has a successful track record of creating shareholder value through an integrated strategy of acquiring, exploiting and exploring, most recently at Result Energy Inc. ("Result") and TriStar Oil & Gas Ltd. ("TriStar"). The TORC management team recapitalized Result in December 2009 and successfully built a significant Cardium undeveloped land position prior to its sale in April 2010, growing the company from less than a \$10 million market capitalization company prior to the recapitalization to a sale transaction valued at over \$450 million. TriStar grew from 1,000 BOE/d to more than 25,000 BOE/d in just over 3 1/2 years through the successful execution of several strategic acquisitions combined with a low risk development drilling program and an exploration program that helped expand and define the prolific Bakken light oil resource play in southeast Saskatchewan. TriStar was merged with PetroBank Energy and Resources' Canadian Business Unit to form PetroBakken Energy Ltd. in October 2009.

#### ***Brett Herman, President & CEO***

Brett Herman has extensive oil and gas experience in leadership roles at public oil and gas companies. Prior to TORC, Mr. Herman was the President & CEO of Result and TriStar. Previously, Mr. Herman was the Vice President, Finance & CFO of StarPoint Energy Trust ("StarPoint").

#### ***Jason Zabinsky, VP Finance & CFO***

Jason Zabinsky has experience in both oil and gas and capital markets roles and was most recently the VP Finance & CFO of Result and TriStar, and prior thereto was a Director with a major Canadian Investment & Corporate Bank.

#### ***Filippo Angelini, VP & Controller***

Filippo Angelini is a chartered accountant and most recently held the position of Controller at Result and TriStar, and prior thereto, StarPoint.

#### ***Eric Strachan, VP Exploration***

Eric Strachan has held progressively senior positions over a 18 year period in the oil and gas sector most recently as VP Exploration with Result, TriStar and prior thereto, StarPoint.

#### ***Jeremy Wallis, VP Land***

Jeremy Wallis brings oil and gas experience specializing in land and acquisition negotiations, most recently as VP Land with Result, TriStar and previously, StarPoint.

#### ***Mike Wihak, VP Operations***

Mike Wihak is a professional engineer with over 20 years of oil and gas experience, most recently as VP Operations with Result and TriStar, and COO of Ultima Energy Trust.

In addition to the management team, the TORC board of directors comprised of John Brussa, Raymond Chan (Chairman), Bruce Chernoff, Brett Herman, Dave Johnson, Dale Shwed, and Hank Swartout has a significant track record of building, financing and directing oil and gas companies and brings a wide range of experience, knowledge and innovation to the merged entity.

### **About Vero Energy Ltd.:**

Vero Energy Ltd. is a public oil and gas exploration and development company, located in Calgary, Alberta with operations in Western Canada. Vero has a track record of continuous growth in reserves and production both on a whole and a per share basis predominantly through drilling since inception in 2005. This top tier performance occurred over a time of extremely volatile commodity prices, significant changes in government regulation and legislature, and an unprecedented uncertainty in world economies. In early 2012 Vero made a strategic decision to sell all of its deep basin gas assets and maintain a light oil platform with a significant inventory of drillable locations. The success of this strategy and our team's efforts has culminated in a successful outcome for our shareholders. Vero currently trades on the TSX under the Symbol "VRO".

**Note Regarding Forward Looking Statements:**

*Certain information in this news release including management's assessment of future plans and operations, the effect of the Arrangement on Vero and TORC, timing of matters related to the approval of the Arrangement and implementation thereof, production levels, capital expenditures, operating costs, reserves estimates, commodity mix, working capital and debt levels, tax pools, business strategy, future development and growth opportunities, prospects and anticipated benefits from the Arrangement are forward-looking statements under applicable securities laws. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties including, without limitation, the risks associated with the oil and gas industry in general such as operational risks in development, exploration, production, marketing and transportation; loss of markets; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, production, cost and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; inability to retain drilling rigs and other services; capital expenditure costs, including drilling, completion and facilities costs; unexpected decline rates in wells; delays in projects and/or operations resulting from surface conditions; wells not performing as expected; incorrect assessment of the value of acquisitions including the Arrangement; failure to realize the anticipated benefits of acquisitions including the Arrangement; ability to access sufficient capital from internal and external sources; delays resulting from or failure to obtain required regulatory and other approvals; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations.*

*There are risks also inherent in the nature of the proposed Arrangement, including failure to realize anticipated production increases and anticipated cost savings and other synergies; risks regarding the integration of Vero and TORC; incorrect assessment of the value of Vero and/or TORC; and failure to obtain the required shareholder, court, regulatory and other third party approvals. This press release also contains forward-looking information concerning the anticipated completion of the Arrangement and the anticipated timing thereof. Vero and TORC have provided these anticipated times in reliance on certain assumptions that it believes are reasonable, including assumptions as to the time required to prepare meeting materials for mailing, the timing of receipt of the necessary regulatory and court approvals and the satisfaction of and time necessary to satisfy the conditions to the closing of the Arrangement. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, inability to secure necessary regulatory or court approvals in the time assumed or the need for additional time to satisfy the conditions to the completion of the Arrangement. In addition, there are no assurances the Arrangement will be completed. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements and readers should not place undue reliance on the forward-looking information contained in this press release.*

*Forward looking statements in this news release include statements regarding the timing and completion of the TORC Financing and the use of proceeds. The completion and timing of the TORC Financing, is based on a number of assumptions, including, that all approvals for the TORC Financing will be received and no material adverse change will occur in TORC's operations nor will there be any of the events that would trigger termination rights under the agreement with the underwriters.*

*Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Vero and TORC believe that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Vero and TORC can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which Vero and TORC operate; the timely receipt of any required regulatory and shareholder approvals; the ability to obtain financing on acceptable terms; the performance of existing wells; the success obtained in drilling new wells; future well production rates, decline rates and reserve volumes; the ability to replace and expand oil and natural gas reserves; the timing and costs of pipeline, storage and facility*

*construction and expansion and the ability to secure adequate product transportation; future oil and natural gas prices; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Vero and TORC operate; and the ability to successfully market oil and natural gas products.*

*Readers are cautioned that the foregoing list of factors and assumptions is not exhaustive. Additional information on these and other factors that could affect Vero's or New TORCs operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) under Vero's profile and at Vero's website ([www.veroenergy.ca](http://www.veroenergy.ca)). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and Vero and TORC do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

#### **BOEs:**

*Disclosure provided herein in respect of barrels of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1; utilizing a conversion on a 6:1 basis may be misleading as an indication of value.*

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